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C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 001203

SIPDIS

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TREASURY FOR OASIA:AJEWELL

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TAGS: [ECON](#) [ETRD](#) [PGOV](#) [ASEC](#) [BM](#)

SUBJECT: BURMA'S SOARING FUEL PRICES HIT THE POOREST FIRST

REF: A. RANGOON 1179

[B.](#) RANGOON 1139

Classified By: Econoff Teresa L. Manlowe for Reason 1.4 (b,d)

¶1. (C) Summary: Without prior or public notice, the GOB decreased its significant fuel subsidies on October 20, boosting diesel prices by a whopping 750 percent overnight. Consumers at the pumps will now pay \$1.20/gal. and be held to an existing 60/gal. per month limit, with many expected to sell their excess allowance on the black market for about \$2.80/gal. As the rising prices of public transport and agricultural products begin to reflect the fuel price hike, economic hardship will fall even harder on Burmese citizens, especially the already stretched lower class, who is still dealing with the effects of recent currency depreciations. Although the regime does not concern itself with political fallout for the change, the economic strain will make life even tougher for the poorest of the poor. They cannot demand relief, and do not expect any. End summary.

PRICE INCREASES ACROSS THE BOARD

¶2. (C) On October 20, the official market price of diesel in Burma was raised over 750 percent to \$1.20/gallon, after holding steady at the heavily subsidized rate of \$.14/gal. for over eight years. Government officials contacted filling station owners in the early hours of October 20, telling them to raise prices immediately. The public learned about the new prices only from notices posted at the gas stations. Consumers are still limited to a ration of 60 gal/month, and many now resell their subsidized fuel on the black market. The current black market rate is about \$2.82/gal. By October 21, bus fares had soared by up to 1000%. Taxi charges rose 20-30 percent overnight and the price of some food items increased by up to 15 percent.

¶3. (C) The fuel price increase comes on the heels of other inflationary pressures, which have greatly raised prices of consumer goods in Burma. Costs of imported and domestic goods rose with the sharp currency depreciation in September-October (ref B). New regulations in early October have also hampered cross border trade (ref A). The price of rice, the staple food, increased between 6% and 9%, depending on the quality, over the last four months. In Rangoon, municipal authorities raised taxes between 500 and 1000 percent for water and garbage services in September. The black market price of diesel jumped 60 percent in October because the GOB arrested some key black marketeers, restricting fuel supply and increasing public demand. The current rate is slightly lower than the record high, but sellers say they will raise prices once the attention of the authorities diminishes.

GOVERNMENT DOESN'T EXPECT PROBLEMS

¶4. (U) In an October 23 "press conference", the Minister of Information and a senior official from the Ministry of Defense said they expected commodity prices to remain stable, since the official fuel prices are now closer to the "street" (black market) prices that many are already using. People will have to pay higher prices only if they want to buy high quality goods, they claimed.

¶5. (C) Monthly government salaries range from about \$2.40 to \$13.00, (with Director-level employees and above receiving other non-salary benefits). Although there are few reliable statistics, it is believed that the majority of Burmese workers earn, on average, \$24 to \$36 per month, with some earning as little as \$12 per month. Food and transport make up the largest portion of household expenses. Typical bus transportation costs in the Rangoon area have now risen to about 14 to 20 percent of total monthly wages. The majority of urban workers commute by bus. This price hike will take a larger bite from their low wages, and some may no longer be able to afford to take the bus to work. Also, farmers bringing agricultural goods into cities must pay more for transport and will pass along the increase in higher food prices.

COMMENT: POOR MUST ADAPT TO EVEN LOWER STANDARD OF LIVING

¶6. (C) GOB press conference statements that official fuel prices are now closer to the black market rates, and

therefore the changes would have minimal effect on the economy, and will put pressure on "street" sellers to keep their informal prices steady. It is certainly true that the price hike will have a reduced impact on the upper class, who own their vehicles and are already paying the higher black market rate for gas (though taxi fares have also jumped). The poor, however, will find it extremely difficult to make ends meet between rising bus fares and higher food prices.

17. (C) Comment continued: In typical style, the GOB did not give the population any time to prepare, nor did it feel obliged to ameliorate the impact on low salaried civil servants or the poorest citizens. After the October 20 fuel price hike went into effect, police and other security officials went on high alert and increased their presence at local gas stations. In this potentially volatile situation, however, there is further grumbling and dissatisfaction with the regime's haphazard policies, but no opportunities, as usual, for public protest in Burma. End comment.

STOLTZ